

CHAPTER 11

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING★1101 GENERAL110101. Purpose

A. All stewardship information is deemed “required supplementary stewardship information” (RSSI) by the Office of Management and Budget (OMB), and all federal agencies are required to report RSSI. This reporting requirement is predicated on stewardship over resources entrusted to federal agencies and the responsibilities assumed by that stewardship. The need to report information in this manner is due to the unique nature of the federal government.

B. This chapter provides the Department of Defense (DoD) guidance and instructions for preparing and reporting the RSSI.

C. In order to ensure a consistent and comprehensive presentation, all stewardship property, plant and equipment (PP&E) information shall be reported on the RSSI statements of the General Fund for those entities that produce both General and Working Capital Fund statements. If an entity has Stewardship assets but does not produce a General Funds financial statement, the RSSI statement shall be included with the financial statements it produces.

★ 110102. Stewardship Categories. There are three categories of RSSI (Stewardship PP&E; Stewardship Investments; and Stewardship Responsibilities). The Department shall report RSSI for the categories of Stewardship PP&E and Stewardship Investments. The Department is not required to report RSSI for Stewardship Responsibilities. For the Department, the two applicable categories of RSSI and their subcategories follow:

A. Stewardship PP&E. Stewardship PP&E (also referred to as Stewardship Assets) is PP&E owned by the Department that meets the definition of one the following:

1. National Defense PP&E. National Defense (ND) PP&E consists of weapon systems, components of weapon systems, mission support PP&E, and weapon systems support real property used by the DoD Components in the performance of military missions.

2. Heritage Assets. Heritage Assets are items of historical, natural, cultural, educational, or artistic significance or items with significant architectural characteristics.

★ 3. Stewardship Land. Land not acquired for, or in connection with, items of General PP&E, is Stewardship Land. “Acquired for or in connection with” is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E, General PP&E’s common grounds. Land classified as

Stewardship Land shall be reported as RSSI accompanying the DoD financial statements, and each DoD Component responsible for such land. Stewardship Land shall be reported in terms of physical units (acres) rather than cost or fair value. Without exception, all land provided to the Department from the public domain, or at no cost, shall be classified as Stewardship Land, regardless of its use. Therefore, public domain or no-cost land used in a General PP&E context shall be reported as Stewardship Land and not reported as General PP&E.

B. Stewardship Investments. Stewardship Investments are expenses that are part of the net cost calculation and merit special treatment to highlight their substantial investment and long-term benefit nature. There are three subcategories of Stewardship Investments (Nonfederal Physical Property, Research and Development, and Human Capital). The Department is required only to report investments in Nonfederal Physical Property and Research and Development. The Human Capital subcategory is not applicable to the Department.

★ 1. Nonfederal Physical Property Investments. Investments in Nonfederal Physical Property are incurred by the Department for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. In addition, Nonfederal Physical Property Investments includes federally-owned physical property transferred to state and local governments.

★ 2. Research and Development Investments. Investments in Research and Development are included in calculating the cost of research and development programs that are intended to increase or maintain national economic productive capacity or yield other future benefits. These shall be reported as Investments in Research and Development in a supplemental stewardship report. For the Department, Budget Activities 1 through 7 contain research and development programs that are applicable to this reporting requirement.

★1102 ND PP&E

★ 110201. General. The DoD Components shall disclose supplementary stewardship information pertaining to their National Defense PP&E. A report (Figure 11-1), titled “National Defense Property, Plant and Equipment,” shall be used to disclose the quantities, additions, deletions, and the condition operational percentage of ND PP&E, and a report (Figure 11-2), titled “National Defense Property, Plant and Equipment - Yearly Investment,” shall be used to disclose the annual acquisition costs of ND PP&E. In those situations where a Defense Agency procures ND PP&E assets for one or more of the Military Departments, that Defense Agency is responsible for reporting the annual investments. The Military Department that owns the property; however, should include the ND PP&E quantities in its report. Specific guidance for the preparation of each report follows.

★ 110202. ND PP&E - Quantities Report. The DoD Components shall report the quantities of ND PP&E for which they are accountable. The ND PP&E to be included are those assets that are in an active status, including assets in a regular maintenance cycle and assets being overhauled, refurbished, and modified. The ND PP&E that have entered the disposal cycle

or are in long-term storage (e.g., mothballed ships) should not be included in the report but must be disclosed in the narrative statement to the table. The report format is shown in Figure 11-1.

A. Specific guidance for report preparation follows.

★ 1. Column (a). Only the categories and major types of ND PP&E shown in Figure 11-1 shall be used. Do not use a category or major type not shown. If a category or major type is not applicable to a DoD Component, indicate “N/A” on the associated line(s). Category definitions and examples of each major type of ND PP&E are included in the DoD Property Accountability Directive and Manual issued by the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD(AT&L)). If a DoD Component possesses ND PP&E that is not properly classified in one of the specific subcategories of the major asset groupings shown in Figure 11-1, those assets should be classified as “Other” within that major asset grouping. For example, if the Navy has an aircraft which is not considered combat or airlift, then the quantities of that aircraft should be included in the “other aircraft” subcategory.

★ 2. Column (b). Report the quantity of ND PP&E for each major type identified in column (a), as of the close of the prior year. Any/all reclassifications made between categories as of the beginning of the reporting year should be explained in the narrative statement to the table. Do not use columns (c) through (e) to make prior year adjustments.

★ 3. Column (c). Report the additions of ND PP&E acquired after the beginning of the fiscal year for each major type identified in column (a).

NATIONAL DEFENSE PROPERTY, PLANT AND EQUIPMENT					
For Fiscal Year Ended September 30, XXCY					
(Stated in Number of Systems or Items)					
(a)	(b)	(c)	(d)	(e)	(f)
<u>National Defense PP&E</u>	<u>As Of</u>	<u>Additions</u>	<u>Deletions</u>	<u>As Of</u>	<u>Condition</u>
	<u>10/01/CY</u>			<u>09/30/CY</u>	<u>% Operational</u>
1. Aircraft					
A. Combat					
B. Airlift					
C. Other					
2. Ships					
A. Submarines					
B. Aircraft Carriers					
C. Surface Combatants					
D. Amphibious Warfare Ships					
E. Mine Warfare Ships					
F. Support Ships					
G. Other Ships					

★Figure 11-1

- 3. Combat Vehicles
 - A. Tracked
 - B. Wheeled
 - C. Towed
 - D. Other
- 4. Guided, Self-propelled Ordnance
 - A. Missiles
 - B. Torpedoes
- 5. Space Systems
 - A. Satellites
- 6. Other
 - A. Other Weapon Systems

Narrative Statement:

★Figure 11-1 (Continued)

★ 4. Column (d). Report the quantity of ND PP&E dispositions for each major type identified column (a). Dispositions may include assets that have been sold, transferred, involved in accidental crashes, lost during military conflicts, etc. Dispositions also include the number of items transferred into the disposal cycle or long-term storage.

5. Column (e). Report the year-end balance of ND PP&E for each major type identified in column (a). The amount in this column (e) shall equal the amount in column (b) plus the amount in column (c) minus the amount in column (d).

★ 6. Column (f). Report the percentage of the ND PP&E year-end balances that are operational. Operational ND PP&E is defined as those items that are mission capable.

B. Narrative Statement. The report shall include a narrative statement that includes the following.

★ 1. The following statement in the Required Supplementary Stewardship Information section verbatim for all DoD reporting entities that have ND PP&E Stewardship information to report for FY 2000:

“As of the date these statements were prepared, the Federal Accounting Standards Advisory Board (FASAB) had not determined the final reporting requirements for ND PP&E. Therefore, the Department elected to report ND PP&E in FY 2000 in a manner similar to how it was reported in FY 1998 and FY 1999. The Department implemented early for FY 1998, as encouraged by the FASAB, the then proposed amendments to the accounting standards that required the reporting of quantities, condition and investment trends for major types of ND PP&E. At subsequent FASAB meetings, the Board chose not to implement

the proposed amendments but, rather, to continue studying various alternatives for reporting ND PP&E. These studies were ongoing in FY 2000.

Since the FASAB did not adopt the proposed amendments, the Department is not in full compliance with the existing reporting requirements that require the Department to report the value of ND PP&E (utilizing the latest acquisition cost method). The Department cannot fully comply with the existing reporting requirement, because many of the Department's ND PP&E accountability and logistics systems do not contain a value for the ND PP&E assets. These systems were designed for purposes of maintaining accountability and meeting other logistics requirements, and not for reporting the value of ND PP&E.

Given the complexity of the existing temporary reporting requirements, the enormous cost of implementing the temporary reporting requirements and the interim nature of the temporary reporting requirements, the Department is continuing to use the prior year reporting displays. Further, the Department believes that the most reasonable and responsible course of action is to report quantity and investment information for the DoD ND PP&E until such time as the FASAB adopts permanent reporting requirements."

★ 2. Information pertaining to significant increases or decreases in the quantities of ND PP&E, as shown in columns (c) and (d). The information should identify or describe significant procurements and other actions, such as: excess disposals, sales, transfers, accidental crashes, or losses during military conflicts.

★ 3. Information explaining the condition percentages shown in column (f) of the report, when such percentages indicate that a significant quantity of the ND PP&E are not mission capable.

★ 4. Items in the disposal cycle and items in long-term storage. These items are not included in the quantities contained in the table. For items in the disposal cycle, the DoD Components should include a discussion on the number of items disposed during the year and the expected timing of disposal of the items remaining.

★ 5. A reference to the ND PP&E deferred maintenance disclosure in the Required Supplemental Information (RSI) portion of the financial statements.

★ 110203. ND PP&E - Yearly Investment Report. The DoD Components shall report their annual procurement outlays for all ND PP&E assets--not just the investment in major types of ND PP&E, as reported in Table 11-1. Annual amounts disclosed in this report shall be derived from the DoD Components' budget execution 1002 Report, "Appropriation Status by Fiscal Year Program and Subaccounts." The ND PP&E - Yearly Investment report format, which is shown in Figure 11-2, includes investments for the two prior Fiscal Years (XXPY-1 and XXPY) and the current Fiscal Year (XXCY). For example, in FY 2000, only FY 1998 (XXPY-1), FY 1999 (XXPY) and FY 2000 (XXCY) investments shall be reported.

A. Specific guidance for preparing the report follows.

★ 1. Column (a). Only the categories shown in Figure 11-2 shall be used. Do not use a category not shown. If a category is not applicable to a DoD Component or there are no acquisition costs for the reporting years, indicate “N/A” on the associated line(s). Category definitions and examples of each major type of ND PP&E are included in the DoD Property Accountability Directive and Manual issued by the OUSD(AT&L). If a DoD Component identifies ND PP&E investments that are not properly classified in one of the specific subcategories of the major asset groupings shown in Figure 11-2, those assets shall be classified as “Other” within that major asset grouping. For example, if the Navy has an aircraft which is not considered combat or airlift, then the investment for that aircraft should be included in the “Other Aircraft” subcategory.

★ 2. Columns (b), (c), and (d). Report procurement outlays, rounded to millions of dollars, by the types of ND PP&E in column (a) for each year. Such amounts shall be obtained from the fiscal year-end 1002 Report, “Appropriation Status by Fiscal Year Program and Subaccounts.” Column (b) is two years prior (FY 1998). Column (c) is the year prior (1999). Column (d) is the cost for the reporting year (2000). Amounts for each year shall represent total expenditures against all outstanding appropriations from current and prior fiscal years incurred during the reporting period.

★ 3. Report Footnotes. The report shall contain three footnotes. The first and second footnotes shall provide examples of the ND PP&E reflected in the subcategories of Weapon Systems Support Real Property and General Mission Support PP&E. The third footnote shall state the following: “Investment values included in this report are based on outlays (expenditures). Outlays are used instead of acquisition costs, because current DoD systems are unable to capture and summarize Procurement Appropriation acquisition costs in accordance with current Federal Accounting Standards Advisory Board requirements.”

NATIONAL DEFENSE PROPERTY, PLANT AND EQUIPMENT YEARLY INVESTMENTS For FY XXPY and FY XXCY (In Millions of Dollars)				
	(a) <u>National Defense PP&E</u>	(b) <u>FY XXPY-1</u>	(c) <u>FY XXPY</u>	(d) <u>FY XXCY</u>
1. Aircraft				
A. Combat				
B. Airlift				
C. Other				
D. Aircraft Support Principal End Items				
E. Other Aircraft Support PP&E				
2. Ships				
A. Submarines				
B. Aircraft Carriers				
C. Surface Combatants				
D. Amphibious Warfare Ships				

★Figure 11-2

- E. Mine Warfare Ships
- F. Support Ships
- G. Other Ships
- H. Ship Support Principal End Items
- I. Other Ship Support PP&E
- 3. Combat Vehicles
 - A. Tracked
 - B. Wheeled
 - C. Towed
 - D. Other
 - E. Combat Vehicles Support Principal End Items
 - F. Other Combat Vehicles Support PP&E
- 4. Guided, Self-propelled Ordnance
 - A. Missiles
 - B. Torpedoes
 - C. Guided, Self-propelled Ordnance Support Principal End Items
 - D. Guided, Self-propelled Ordnance Support PP&E
- 5. Space Systems
 - A. Satellites
 - B. Space Systems Support Principal End Items
- 6. Other
 - A. Other Weapon Systems
 - B. Other Weapon Systems Support Principal End Items
 - C. Other Weapon Systems Support PP&E
- 7. Weapon Systems Support Real Property
 - A. Active Ammunition Bunkers
 - B. Active Missile Silos
 - C. Active Satellite Ground Stations
- 8. General Mission Support PP&E

★Figure 11-2 (Continued)

★1103 HERITAGE ASSETS★ 110301. General

★ A. The DoD Components shall report the quantities, additions, and deletions of Heritage Assets under their control in a Supplemental Stewardship Report titled, “Heritage Assets” (Figure 11-3).

B. Heritage Assets are items that are distinguished by one or more of the following:

1. Historical or natural significance;

2. Cultural, educational or artistic importance; or
3. Significant architectural characteristics.

C. Heritage Assets are generally expected to be preserved.

★ 110302. Reporting Guidance

★ A. The quantity of Multi-use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) shall be included in the quantities disclosed in this report, as well as reported as General PP&E.

B. Specific guidance for the preparation of the report follows.

1. Reporting Categories. Heritage Assets shall be reported by type within the following categories:

a. Museums. Buildings which house collection-type items including artwork, archeological artifacts, archival materials and other historical artifacts. The primary use of these buildings shall be the preservation, maintenance, and display of the collection-type Heritage Assets.

b. Monuments and Memorials. Sites and structures built to honor and preserve the memory of significant individuals and/or events in history.

c. Cemeteries and Archeological Sites. Land on which gravesites of prominent historical figures and/or items of significance, as defined above, have been located.

d. Buildings and Structures. Includes Buildings and Structures that are listed on, or eligible for listing on, the National Register of Historic Places including Multi-use Heritage Assets.

e. Major Collections. Significant collections that are maintained outside of a museum.

2. Column (a). Examples of Heritage Assets are provided in Figure 11-3. Do not list Heritage Asset categories that are not applicable.

HERITAGE ASSETS					
For Fiscal Year Ended September XXCY					
(a)	(b)	(c)	(d)	(e)	(f)
	Measurement	As Of			As Of
	<u>Quantity</u>	<u>10/01/CY</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/CY</u>
Museums	Each				
Monuments & Memorials	Each				
Cemeteries & Archeological Sites	Sites				
Buildings & Structures	Each				
Major Collections	Each				
<u>Narrative Statement:</u>					

★Figure 11-3

3. Do not use columns (d) through (f) to make prior period and/or reclassification changes.

4. Column (b). The DoD Components must use the specified measurement method indicated in the table for each category shown in column (a).

5. Column (c). Report the quantity in column (c) of Heritage Assets as of the close of the prior year (or as of the first day of the reporting year) for each line. Due to the changes to the reporting format, the DoD Components shall consolidate information for assets reported in FY 1999. For FY 2000, this column may not agree to the quantity for the category at the end of FY 1999. Reclassification of this information should be explained in the narrative statement to the table.

6. Column (d). Report the increase in the number of Heritage Assets by category. When an increase is significant, it should be explained in the narrative statement to the table (i.e., identify whether by donation, purchase, or other form of conveyance).

7. Column (e). Report the decrease in the number of Heritage Assets by category. When a decrease is significant, it should be explained in the narrative statement to the table (i.e., identify the decrease as sale, exchange, donation, abandonment, or other form of disposal).

8. Column (f). Report the year-end balance for each type.

9. Narrative Statement. The report shall include a narrative statement that provides the following:

a. Information on the process used to establish assets as Heritage Assets including category definitions. In addition, the type(s) (e.g., artwork or archeological artifacts) of items included in each category should be explained in the narrative statement to the table. If deemed appropriate, a DoD Component may include additional information concerning the number of individual items included in the museums and major collections identified above. This option should only be used if the item quantities are available

from existing management systems. Only items that have been evaluated, accessioned, and cataloged in a collections management system should be included. Items or collections of national significance, (i.e., those which have widespread public interest and/or assets that are important to the Components mission) should be identified separately.

b. Information pertaining to significant increases or decreases in the quantities of Heritage Assets, as shown in columns (d) and (e). The information should identify or describe significant sales, exchanges, donations and similar transactions.

★ c. Information pertaining to the condition of the Heritage Assets. The measurement of condition must be applied to the entire class and is, therefore, general in nature. The criteria used to establish the condition should be explained in sufficient detail to allow readers of the report to understand the measurement. The discussion may, for example, provide information on whether the condition of the assets is generally improving or deteriorating. In addition, DoD Components specifically should disclose, and provide comment, if significant condition deficiencies have been identified.

★ d. A statement, if applicable, that financial information pertaining to Multi-use Heritage Assets is included on the Balance Sheet.

★ e. A disclosure statement must be provided if there are items that may be classified as Heritage Assets in the future after they have been evaluated, accessioned, or cataloged.

★1104 STEWARDSHIP LAND

★ 110401. General

A. The DoD Components shall disclose the quantities and condition of Stewardship Land under their control in a Supplemental Stewardship Report, titled “Stewardship Land” (Figure 11-4). Specific guidance for the preparation of the report is provided below.

★ B. A military base or installation predominantly comprised of Stewardship Land also may include General PP&E land, purchased subsequent to the original Stewardship parcel. The General PP&E land shall not be reported in the Supplemental Stewardship Report; rather, the cost of that land shall be reported on the Balance Sheet.

C. Some Stewardship Land may have a dual identity, as both Stewardship Land and a Heritage Asset (e.g., a battlefield or cemetery), and should be reported in both Supplemental Stewardship Reports. Guidance for reporting Heritage Assets is provided at section 1103, above.

★ 110402. Stewardship Land Supplemental Report. Specific guidance for the preparation of the Stewardship Land Supplemental Report follows.

A. Column (a). Report the number of acres of Stewardship Land based on the predominant use of the land. The predominant use categories are defined as follows:

1. Mission. Stewardship Land used as military bases, installations, training ranges, or other military mission related functions shall be reported as mission.

2. Parks and Historic Sites. This category includes battlefields, cemeteries, and memorials. These sites also should be reported as Heritage Assets. Other land included as a Heritage Asset should also be reported here.

3. Wildlife Preserves. Stewardship Land on a DoD installation which is designated a Wildlife Preserve.

B. Column (b). Report the number of acres for each category as of the first day of the reporting year. This number should equal the total number of acres reported at the end of the previous reporting year. Any adjustments to this number shall be included in the footnote disclosures.

C. Columns (c) and (d). Report any changes during the reporting year. Report acreage increases in column (c) and decreases in column (d).

D. Column (e). Report the total acreage by category as of the end of the reporting year.

STEWARDSHIP LAND For Fiscal Year Ended September 30, XXCY (Acres in Thousands)				
(a) <u>Land Use</u>	(b) <u>As Of</u> <u>10/01/CY</u>	(c) <u>Additions</u>	(d) <u>Deletions</u>	(e) <u>As Of</u> <u>09/30/CY</u>
1. Mission				
2. Parks & Historic Sites				
3. Wildlife Preserves				
Totals				
<u>Narrative Statement:</u>				

★Figure 11-4

E. Narrative Statement. The report shall include a narrative statement that provides the following:

1. Information pertaining to significant increases or decreases in the acreage of Stewardship Land, as shown in columns (c) and (d). The information should identify or describe significant sales, exchanges, donations, and similar transactions.

2. Information pertaining to the condition of the Stewardship Land.

★1105 INVESTMENT IN NONFEDERAL PHYSICAL PROPERTY

★ 110501. General. The DoD Components shall disclose in a Supplemental Stewardship Report the expenses included in calculating the net cost of Investments in Nonfederal Physical Property (INPP) programs. The dollar amount of such investments shall be disclosed for the reporting year (current year) and the preceding four years. Data for additional years also may be reported if such data would provide a better indication of the nature of the investment.

110502. Definition. The INPP refers to those recorded acquisition or estimated costs incurred by the Department from the transfer of DoD property, and the purchase, construction, or the major renovation of physical property that will be or is owned by state and local governments, including major additions, alterations and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Grants for maintenance and operations are not considered investments.

110503. Measurement

A. The INPP shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. Cash grants related to Nonfederal Physical Property programs are recognized and reported as expenses in arriving at the net cost of operations.

C. Expenses incurred for Nonfederal Physical Property program costs, contracts, or grants with split purposes shall be reported on the basis of an allocation of the expenses. If allocation is not feasible, the investment shall be reported on the basis of the predominant application of the expense or transfer. An example of an investment with a split purpose is a grant issued to a state government to construct an armory and to conduct military construction safety research.

★ 110504. Minimum Reporting

A. The annual INPP shall be reported, including a description of federally-owned physical property transferred to state and local governments. The annual investment includes more than the annual expenditure reported by character class for budget execution. The annual investment is the full cost of the investment. This information will be provided for the current year and each of the four years preceding that year. If data for additional years would provide a better indication of the investment, reporting of data for additional years is encouraged. However, because existing DoD financial systems do not readily support reporting INPP on the same basis of accounting as used for financial statements, (which include accrual adjustments, general and administrative overhead, and costs of facilities) the INPP costs disclosed in this report shall be derived from alternative financial sources of the highest quality, until financial systems support the foregoing approach.

B. Reporting shall be at a meaningful category or program. The report for disclosing INPP, shown in Figure 11-5, identifies National Defense Mission Related, Environmental Improvement, Base Realignment and Closure, and Other as the most probable categories. Disaggregation of these categories and other information may be provided in the notes to this Supplemental Stewardship Report, if the costs are significant and warrant individual disclosure.

C. In some cases, the information called for above is not available because the DoD Components have maintained records on the basis of outlays rather than expenses. For some DoD Components to reconstruct their accounts on the basis of expense data may be impracticable. In this situation, the DoD Component shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the five years, the DoD Component shall report only expense data for the current reporting year and such other years as available.

D. Reporting shall include a description of the categories or programs involving INPP, as well as a description of programs or policies under which noncash assets are transferred to state and local governments.

110505. Nonfederal Physical Property Supplement Report. The Nonfederal Physical Property information shall be disclosed in the report format (Figure 11-5) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). Identify and list the appropriate categories and programs for grouping like INPP. Transferred Assets are assets that have a physical existence (e.g., buildings or land), as opposed to monetary existence (funds). Funded Assets result from DoD payments (funding the acquisition of an armory), as opposed to providing physical assets.

2. Columns (b), (c), (d), (e), and (f). Report the investments in state or local governments by fiscal year. Report the investments for the reporting year (FY CY) in column (f). Report the investments for the appropriate fiscal years in columns (b), (c), (d), and (e). column (e) is the year immediately prior to the reporting year and is labeled "FY CY-1." Column (d) is two years prior to the reporting year and is labeled "FY CY-2." This logic continues through columns (c) and (b), "FY CY-3" and "FY CY-4."

3. Reported INPP are not cumulative, are reported in millions of dollars, and represent only INPP incurred for the year shown in the appropriate columns (b), (c), (d), (e), and (f).

4. Narrative Statement. A narrative statement shall be included in the report and shall contain a description of the categories and programs, including a description of programs or policies under which noncash assets are transferred to state and local governments.

For transfers of noncash assets, when the value of the assets materially differs from the expense reported, the narrative statement will address this difference.

- ★ 5. The report shall also include the following statement as a footnote:

“Investment values included in this report are based on Nonfederal Physical Property outlays (expenditures). Outlays are used because current DoD systems are unable to capture and summarize costs in accordance with the Federal Accounting Standards Advisory Board requirements.”

NONFEDERAL PHYSICAL PROPERTY Yearly Investment in State and Local Governments For Fiscal Years (Preceding 4 th Fiscal Year) through FY XXCY (In Millions of Dollars)					
(a) <u>Categories</u>	(b) <u>FY CY-4</u>	(c) <u>FY CY-3</u>	(d) <u>FY CY-2</u>	(e) <u>FY CY-1</u>	(f) <u>FY CY</u>
Transferred Assets:					
1. National Defense Mission Related					
2. Environmental Improvement					
3. Base Closure and Realignment					
4. Other					
Total					
Funded Assets:					
1. National Defense Mission Related					
2. Environmental Improvement					
3. Base Closure and Realignment					
4. Other					
Total					
Grand total					
Narrative Statement: Monetary value disclosed above represents amount reported as an expense in the Statement of Net Costs, additional material disclosures are provided below.					
1. (Example: Provided here are material disclosures where the value of property differed from that reported as an expense, above.					
	<u>Value</u>	<u>Recovery</u>	<u>Expense</u>		
• Base Closure Assets:					

★FIGURE 11-5

★1106 RESEARCH AND DEVELOPMENT (R&D)

★ 110601. General. The DoD Components shall disclose in a Supplemental Stewardship Report information pertaining to their research and development programs. A report (Figure 11-6), titled “Investment in Research and Development,” shall be used to disclose expenses incurred for research and development programs.

★ 110602. Definition. Investment in R&D refers to those expenses incurred in the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. All material amounts of R&D shall be reported in the table provided at Figure 11-6.

★ 110603. R&D is composed of:

A. Basic Research. Basic Research is the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.

B. Applied Research. Applied Research is the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

C. Development. Development is the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

★ 110604. Measurement. The following reporting requirements are applicable to DoD R&D programs.

A. The financial investment amounts reported shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. The R&D amounts also are recognized and reported as expenses in arriving at the net cost of operations.

C. Beginning in FY 2000, the DoD Components shall provide information on the outcomes for the R&D programs for which investments are reported. If outcome data are not available, the outputs that best provide indications of the intended program outcomes shall be used until outcome data are available. Definitions and characteristics of outputs and outcomes follow.

1. Output. When appropriate, significant and substantial scientific outputs shall be presented as a tabulation, calculation, or recording of activity or effort that can be expressed in an aggregated and brief quantitative or qualitative manner. Outputs shall have two key characteristics: (a) an output shall be systematically or periodically captured through an accounting or management information system, and (b) there shall be a logical connection between the reported measure and purpose of the R&D program. In R&D programs, this could consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed and the number terminated. It also could consist of such quantitative measures as bibliometrics (e.g., publication counts, citation

counts and analysis, and peer evaluation); patent counts and analysis; and science indicators that assess the ongoing vitality of the research.

2. Outcome. When appropriate, outcomes shall be presented in an aggregated and brief manner as an assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring the results of research and development programs in financial, economic, or quantitative terms, outcome data for such programs shall consist of a narrative discussion of the major results achieved by the program during the year, such as:

a. Basic Research. An identification of any major new discoveries that were made during the year.

b. Applied Research. An identification of any major new applications that were developed during the year.

c. Development. The progress of major developmental projects including the results of projects completed or otherwise terminated during the year and the status of projects that will continue.

3. Outcome information should be concisely written in a plausible manner for judging the extent to which the program is achieving its purpose.

★ 110605. Reporting Requirements

★ A. DoD Components shall report R&D investments for the year ended in this reporting period, as well as the investments in the 4 years preceding the current year. In those unusual instances when there is no historical data, only the current reporting year data shall be reported. Reporting shall be at the category levels indicated in Figure 11-6. At a minimum, DoD Components should report the FY 1999 amounts reported last year in addition to the FY 2000 amounts. Reporting shall be at the category levels indicated in Figure 11-6.

★ B. Existing DoD financial systems do not readily support reporting R&D on the same basis of accounting as used for financial statements, which include accrual adjustments, general and administrative overhead, and costs of facilities. Until financial systems support the foregoing approach, R&D costs disclosed in this report shall be derived from R&D outlays reflected in budget execution 1002 reports, "Appropriation Status by Fiscal Year Program and Subaccounts." Costs for each year shall represent total outlays (expenditures) against all outstanding appropriations from current and prior fiscal years paid during the reporting period. The reporting categories are provided below.

1. Basic Research. In the DoD budget, Basic Research is categorized as Budget Activity 1. Basic Research is defined as systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind.

2. Applied Research. In the DoD budget, Applied Research is categorized as Budget Activity 2. Applied Research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met.

3. Development. Development is a systematic use of the knowledge or understanding gained from research, directed toward the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. Investments in Development shall be subdivided into a five-line presentation. The five lines correlate to the following budget activity categories: Budget Activity 3, Advanced Technology Development; Budget Activity 4, Demonstration and Validation; Budget Activity 5, Engineering and Manufacturing Development; Budget Activity 6, Research, Development, Test and Evaluation Management Support; and Budget Activity 7, Operational System Development.

a. Advanced Technology Development. Includes all efforts that have moved into the development and integration of hardware for field experiments and tests.

b. Demonstration and Validation (Dem/Val). Includes all efforts necessary to evaluate integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology.

c. Engineering and Manufacturing Development. Includes those projects in engineering and manufacturing development for Service use, but which have not received approval for full-production.

d. Research, Development, Test and Evaluation Management Support. Includes R&D effort directed toward support of installations or operations required for general research and development use.

e. Operational System Development. Includes those development projects in support of development acquisition programs or upgrades still in engineering and manufacturing development, but which have received Defense Acquisition Board or other approval for production, or production funds have been included in the DoD budget submission for the budget or subsequent fiscal year.

C. These Budget Activities are described further in Volume 2B, paragraph 050201, of this Regulation.

D. A narrative description of the major research and development programs, those considered significant and substantial, shall be included in the notes. The narrative will address significant and substantial scientific elements or projects that compose the major programs contained in the report.

★ 110606. Investment in R&D Report. The R&D information described above shall be disclosed in the report format (Figure 11-6) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). The report for disclosing R&D (see Figure 11-6) identifies categories and subcategories. Information shall be provided for the categories illustrated in Figure 11-6. When appropriate, additional meaningful category or program information may be provided in the narrative statement.

2. Columns (b), (c), (d), (e), and (f). Report the investments for the reporting year (FY CY) in column (f). Report the investments for the appropriate prior fiscal years in columns (b), (c), (d), and (e). Column (e) is the year immediately prior to the reporting year and is labeled “FY CY-1.” Column (d) is two years prior to the reporting year and is labeled “FY CY-2.” This logic continues through columns (c) and (b), “FY CY-3” and “FY CY-4.”

3. Reported R&D are not cumulative, are reported in millions of dollars, and represent only investments incurred for the year shown in the appropriate columns (b), (c), (d), (e), and (f).

4. A narrative statement shall be included in the report and shall contain a description of significant and substantial scientific accomplishments or program discontinuance for each category identified in Figure 11-6. These disclosures shall be developed so as to satisfy the outputs and outcomes requirements discussed above.

INVESTMENTS IN RESEARCH AND DEVELOPMENT Yearly Investment in Research and Development For Fiscal Years (Preceding 4th Fiscal Year) through FY XXCY (In Millions of Dollars)					
<u>(a)</u> <u>Categories</u>	<u>(b)</u> <u>FY CY-4</u>	<u>(c)</u> <u>FY CY-3</u>	<u>(d)</u> <u>FY CY-2</u>	<u>(e)</u> <u>FY CY-1</u>	<u>(f)</u> <u>FY CY</u>
1. Basic Research					
2. Applied Research					
3. Development					
Advanced Technology Development					
Demonstration and Validation					
Engineering and Manufacturing Development					
Research, Development, Test and Evaluation					
Management Support					
Operational Systems Development					
Total					
<u>Narrative Statement:</u>					

★Figure 11-6